

From: gary nortmann <garyln45@hotmail.com>
Sent: Sunday, February 14, 2010 1:49 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

don't need any more regulation

From: J. D. Bai <baijacob@yahoo.com>
Sent: Sunday, February 14, 2010 7:02 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Hi,

Recently I received notice from my brokers that CFTC is going to lower the retail forex trading leverage to 10:1 as a maximum leverage.

The following is my comments with ID number RIN 3038-AC61:

I am from China and been trading forex since Feb. 2006 using two US brokers, OANDA and FXsol. I traded forex part-time for 2 years and full time for 2 years. Since last year, no more big losses, and since this year(2010), I started to make profits consistently. So, as an experienced retail trader, my comments shall be useful for your reference.

This proposal of loweing leverage to 10 times is unreasonable and absurd in some sense.

First of all, the volatility of the major foreign exchange rates like EUR/USD, GBP/USD, USD/JPY, USD/CHF is small compared to oil, gold and other prices, because the difference of the max. and min. prices on one day is one percent usually. While oil, gold and most other commodities prices can change much higher, yet, the leverage of these instruments futures contracts are higher than 10 times.

Secondly, the trading cost of forex (spreads) is higher than the futures contracts. If with lower leverage, trading forex would be more difficult than futures.

Thirdly, lowering leverage as a protection for retail traders are unrooted and not useful. The gamblers can go to casino. The lazy, unknowledged, mentally un-initialted and lousy traders will lose after all over a long time, even with no leverage. The stock market is good proof for this.

Fourthly, the margin call(MC) rule is also very important. Some brokers use zero available fund as MC trigger, some use 50% net balance, some use zero net assets as trigger(this rule is very very harmful for novices). You should make a some limitations/rules on MC rule.

For experienced and profitable traders, 30 times of leverage are enough(for OANDA MC rule, other MC rule it could be 50 times).

I searched many brokers from the other countries before. Since I believe in CFTC, I only choosed US brokers as members of CFTC. If CFTC will implement this rule in the future, I have no choice and have to close my accounts in US and find brokers in UK or EU even I have used them for four years.

A forex trader.

From: Daniel Ford <dford@trendlinesystems.com>
Sent: Sunday, February 14, 2010 10:41 AM
To: secretary <secretary@CFTC.gov>
Subject: Proposed Regulation of Retail Forex RIN 3038-AC61

To:

Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

From:

Daniel Ford
5475 Carry Back Drive
Burlington KY 41005

Subject:

Proposed Regulation of Retail Forex, RIN 3038-AC61

Dear Sirs or Madam:

As a home-based trader of stocks, options, futures, and retail Forex, I wish to comment on the CFTC's proposed rule to regulate retail Forex trading.

In general, there is indeed a need for honesty, integrity, and transparency in the Forex industry and regulations intended to promote these principles are healthy for the industry and our nation as a whole. However, the proposal to reduce the margin rules from the recently enacted 100:1 requirement to 10:1 reflects a misunderstanding of how margin works in Forex and if enacted would destroy the domestic retail Forex industry. This in turn would cost thousands of high-paying U.S. jobs, harm U.S. investors, and deny the U.S. Treasury needed revenue while driving business to the America's competitors overseas. If the CFTC indeed wishes to reduce unnecessary risks, then it should focus on specific unscrupulous practices, not the use of essential leverage.

My specific comments are as follows:

Punish Unscrupulous Operators, Not All Operators

The broker registration and capitalization requirements are reasonable. For any industry to prosper, there must be integrity and transparency. However, while a few "bad apples" can destroy the retail Forex industry, so can overreaching and ill-advised regulations. The regulations should protect reputable operators, not run them out of business.

In lieu of forced reductions in the use of essential leverage, the CFTC can better protect retail Forex investors by ensuring all brokerages work for their clients, not against them. Some needed improvements include limits on pricing irregularities, the honoring of stop-loss orders, and the alleged practice of "stop hunting" by the brokerages themselves.

The "Extreme Volatility" Characterization of the Forex Markets is Demonstrably False

- (1) At the peak of the recent global financial crisis, the value of the U.S. Dollar only fluctuated 18%, compared to nearly 50% in the S&P 500 index and 80% for many stocks.
- (2) The global Forex markets operate on a 24-5 basis, eliminating the risk of overnight "gaps", except over the weekends. This makes stop-loss orders far more effective than they are in the equities markets and reduces another form of volatility inherent in stocks.
- (3) The liquidity of the Forex market is estimated to be 300% greater than the U.S. equity markets and is furthermore heavily concentrated in the eight major currencies. The massive liquidity divided between the major currencies

precludes volatility caused by low liquidity, a characteristic of many stocks.

100:1 Leverage is Not "High" and Essential in Retail Forex Trading

Because of the low volatility inherent the Forex markets, most currency prices are quoted in .0001 increments, a.k.a. "pips". It is the 100:1 leverage that creates the profit potential. Without it, the risk of loss increases and it would be impossible for all but the wealthiest "retail" investors and institution to profitably trade Forex. The alternative is for the retail investor to keep positions open for weeks or months at a time while awaiting a larger move in prices. This increases exposure of the retail trader to the risks of weekend gaps or geopolitical events.

The Rule-making Doesn't Recognize Recently NFA Mandated Reductions in Leverage

As of November 1, 2009, the National Futures Association (NFA) mandated the reduction of leverage on the major currency pairs to 100:1 and 25:1 on the non-major pairs. It is ill-advised for any rule-making to overlook regulations implemented just months before and the CFTC should evaluate the effectiveness of the NFA margin rules before it rushes to implement far more restrictive rules of its own.

Small Lot and Account Sizes Reduce Risk

Overlooked in the proposed rule-making is that the small Forex accounts and small position sizes actually reduce risk. It is well known that back-testing and "paper" trades, while beneficial, do not fully replicate actual trading conditions. Forex is the only trading environment that allows traders to learn or experiment with \$10 or \$20 positions under real-world conditions, making their risk very small in terms of actual dollars. Yes, you can trade stocks in small amounts too, but then the pattern day-trader rules apply limiting the ability of the trader to test multiple entry and exits in the same day or week.

Mandate Best Practices Rather Than Reduce Leverage

The rule-making acknowledges that most brokers will liquidate accounts that reach a zero balance, therein recognizing a unique and essential Forex practice that reduces risk levels far below other vehicles such as futures contracts, some forms of options contracts, and the shorting of stocks. Rather than reducing leverage, which is not the source of the risk, the CFTC can instead mandate that all accounts be liquidated upon reaching a zero balance.

Other "best practices" may include the mandatory use and honoring of stop losses, which as noted earlier are far more effective in the Forex markets than in the equity markets. Many brokers no longer guarantee the timely execution of stop-loss orders which itself is a questionable practice as the Forex markets have 3 times the liquidity of the equities markets and no overnight gaps during the trading week. Other than during the weekend "gap", I am not aware of any reason why a stop-loss order cannot be quickly filled at a guaranteed price.

The Rule-making Limiting Margin Will Increase Risk, Not Reduce Risk

By analysis, futures contracts, certain options contracts, and the shorting of stocks are far riskier than Forex trading. Logically, if ill-advised regulations on leverage force smaller traders out of the Forex markets, they will be forced to use these other vehicles that carry commensurately more risk. Another consideration is whether the proposed rule-making will incentivize retail investors to utilize less regulated or unregulated off-shore Forex brokers. If retail Forex customers are forced by regulation to use riskier vehicles or less regulated overseas brokers, then the rule-making has increased risks, not reduced them.

The Proposed Leverage Changes Will Reduce Tax Receipts and Harm the Economic Activity

The rule-making fails to consider the collateral damage caused by the loss of economic activity. If, due to the forced reductions in leverage, retail Forex traders cannot trade, then retail Forex brokers cannot exist. This would cause a commensurate reduction in employers, employment, and all that entails, including lost tax receipts. Other victims will include the already depressed commercial real estate market which houses the brokerages and those municipalities that depend upon a healthy and diverse financial community.

Environmental Impact

The proposed rule-making does not consider the potential adverse environmental impact if retail Forex traders are forced to find other forms of employment. One characteristic of retail Forex trading is that it is home-based, largely paperless, and produces virtually no waste. Home-based businesses are also resource efficient in that they utilize pre-existing residential structures and do not require purpose-built buildings and structures. The proposed change in margin rules will likely drive retail Forex traders out of the business and some of them may opt to quit trading

altogether and reenter the traditional workplace with the environmental impact that such would entail.

Summary

If the CFTC wishes to remove unacceptable risks from the retail Forex industry, it should (1) seek to better understand retail Forex trading and (2) focus on unscrupulous operators and their unscrupulous practices. In lieu of arbitrarily reducing the use of essential leverage, the CFTC should embrace best practices such as the use of stop-loss orders and the honoring of such when placed, the liquidation of zero balance accounts, and limits on "slippage." The CFTC should not impose regulations that drive reputable retail brokerages and their clients out of the business.

From: albert dupuy <bertdupuy@hotmail.com>
Sent: Sunday, February 14, 2010 11:33 AM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

RIN 3038-AC61

A new rule change across the forex industry to set a maximum leverage to 10:1 for retail forex traders in the US would inhibit traders that are just starting out. Please, instead provide sound education about forex to new traders.

As I am a new trader without a lot of capital, I would like to have the opportunity to change my financial position at a leverage value of my choice.

The United States of America is the land of the free, where each forex trader should be able to make their own educated decisions about their money and take responsibility for their own actions, right??

Thank you

Hotmail: Trusted email with powerful SPAM protection. [Sign up now.](#)

From: Rob Potter <mauizowi@yahoo.com>
Sent: Sunday, February 14, 2010 2:54 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Opposed to RIN 3038-AC61

This proposal of 10:1 leverage will only hurt the individual trader as it will cause them to trade with a greater risk amount of their account and will force many out of the business. I have traded forex for several years and have always been responsible for the amount I risk per trade. I have always preferred mini accounts with 200:1 leverage as I could trade with a 2% amount of my account. This was then destroyed when it was changed to start trading with 100:1 leverage and then caused more losses. I will no longer be able to trade with your new restrictions.

This proposal was not requested by retail traders or the brokers of the industry and will only hurt the US trading capital and our position in the global trading arena. I have also spent countless money on trading systems that only work with the current leverage that you will also render useless, thus stealing my money from my years of investment in this market I have chosen. Who are you really trying to help, big business or the small trader??

From: jpickett@dishmail.net
Sent: Sunday, February 14, 2010 5:39 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Dear Secretary,

I am writing to you about the proposed change to 10:1 leverage in the retail forex industry, identification number RIN 3038-AC61.

If the 10:1 leverage change is adopted, I believe it will have a devastating effect on the US retail forex industry. I for one will be forced out of retail forex trading due to the increased margin requirements:

**Maximum Leverage under
Current Regulations**

USD/JPY

1 lot (100,000)

100:1 leverage (one percent)

Margin requirement: \$1,000

**Maximum Leverage under
Proposed Changes**

USD/JPY

1 lot (100,000)

10:1 leverage (10 percent)

Margin requirement: \$10,000

The proposed change will also cause many US retail forex traders to move their accounts to off shore forex brokers, which in turn will cause many US forex jobs to be lost.

I believe that I should have the freedom and right to choose the amount of leverage that is appropriate for my individual desired risk, and that this basic principle of 'choice' is in jeopardy by the proposed CFTC regulations. I would therefore like to state that I am strongly opposed to the CFTC's proposed change to 10:1 leverage.

Sincerely,

James Pickett

From: Isaac Choeff <isaacchoeff@netzero.net>
Sent: Sunday, February 14, 2010 6:56 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

I'm an investor in foreign currency through a U.S. dealer. I am very concerned about the proposed rules from the CFTC. The CFTC's recent ruleproposal, which would limit customer trading leverage to 10 to 1, would be a crippling blow to the U.S. forex industry. This unsustainable rule would drive U.S. forex dealers, which brings tens of millions of dollars into the U.S. banking industry each day, offshore into the hands of foreign competitors. It would encourage fraud both at home and abroad as customers seeking to trade retail forex would have no other legitimate domestic alternative. As an investor, I would be forced to take my business outside of the United States.

Isaac Choeff
pembroke pines FL, 33027
isaacchoeff@netzero.net

From: wilz wanderley <forexmage@gmail.com>
Sent: Sunday, February 14, 2010 8:48 PM
To: secretary <secretary@CFTC.gov>
Subject: We say no to 10:1 leverage rule

Please we don't need this this is gonna kill fx spot in usa,do it if you want:

- 90% of the account will go offshore, mostly to the United Kingdom
- Thousands of high educated jobs will be lost
- An industry worth over \$1 billion gone, losing millions in taxable revenue.
- The proposal does not fix fraud, the subject the rule tries to adjust. Battle against unlicensed FDMs and IBs fix the fraud, not 10 to 1 leverage.
- 100 to 1 leverage is very popular. Traders simply will not accept 10 to 1 leverage.
- Unregulated dealers from around the world will also benefit.

Conclusion: Thousands of jobs lost when unemployment is at 10%, consumers more vulnerable to fraud, and the United States tosses away one of the most promising export industries.

From: Aaron Lee <cptaaronlee@yahoo.com>
Sent: Sunday, February 14, 2010 10:14 PM
To: secretary <secretary@CFTC.gov>
Subject: Forex Leverage

Hello,

As a Forex trader I am aghast at plans to limit retail forex leverage to 10:1. People will just open accounts overseas

and get the full leverage and people who work in this industry in the United States will lose their jobs. This

will also have an impact on the US dollar and will reduce US tax collection as many foreign governments don't

report earnings.

Thus 10-1 will basically cost thousands of US Jobs and hundreds of millions in tax revenues. Is there any sign

of intelligence running the CFTC or are you all just a bunch of idiots? Seriously! If the goal is to reduce the odds

of new traders losing all their money then you should have a graduated leverage based on capital in account.

Under \$2,000 give traders 25:1 or up to 50:1 and for accounts over \$5k or \$10k give the entire 100:1 leverage.

It's only the dipshit traders with a few hundred dollar accounts you should hit by this stupid rule. Leave the

professional traders alone with the leverage they need. Any good trader risks no more than 2% of their account and if you're a scalper doing multiple trades at once THIS RULE WILL HURT their money management

algorithms and thus cause the very thing you hope to prevent, LOSSES.

Another solution is to HARD CODE maximum losses of 50 pips. I personally limit my losses when wrong to

10-15 pips max thus trading more lots and when I'm right my trades go 25 to 100 pips. Cutting leverage drastically will change how I trade, that is until I open a foreign account which EVERY experienced trader

will do. This rule is idiotic and I'd like a response as to the reasons behind it?

Aaron Lee

San Ramon, Ca

From: steve andrich <sandri1800@yahoo.com>
Sent: Sunday, February 14, 2010 10:50 PM
To: secretary <secretary@CFTC.gov>
Subject: Regulation of Retail Forex

Secretary of the commission

The new 10;1 proposal will stop the small investors like myself and everyone else but the big banks and financial institutions from investing in retail forex.

Just when you think you found a small way to get ahead you manage to take it away, thanks for always being on the side of big business.

Please invite me to Washington DC to voice the opinion of the common working man.

Thanks Stephen Andrich